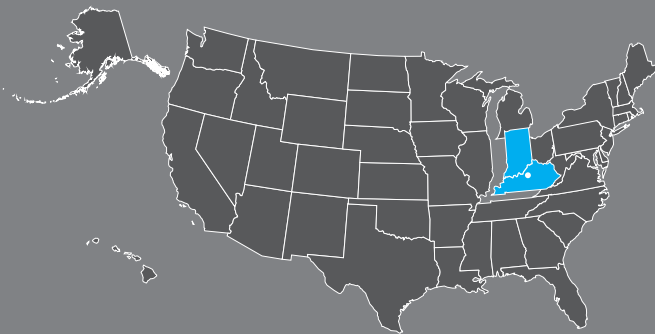


HUD PD&R Housing Market Profiles

Louisville/Jefferson County, Kentucky-Indiana

Quick Facts About Louisville/ Jefferson County

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: tight.**
- **The city of Louisville is known for hosting the Kentucky Derby, an annual horse race, which has an annual economic impact of \$217 million on the metropolitan area (Wilkerson & Associates).**



By Robyn E. Bowen | As of December 1, 2016

Overview

The Louisville/Jefferson County, KY-IN Metropolitan Statistical Area (hereafter, Louisville metropolitan area) consists of Bullitt, Henry, Jefferson, Oldham, Shelby, Spencer, and Trimble Counties in northern Kentucky and Clark, Floyd, Harrison, Scott, and Washington Counties in southern Indiana. Its central location and proximity to the Ohio River make the metropolitan area a hub for international and domestic trade. Worldport, the worldwide air hub for United Parcel Service, Inc. (or UPS), the largest employer in the metropolitan area, is at the Louisville International Airport. As the largest fully automated package handling facility in the world, Worldport processes an average of 1.6 million packages a day (UPS).

- As of December 1, 2016, the population of the Louisville metropolitan area is estimated at 1.29 million.
- Since April 1, 2010, the population has increased by an average of 7,850, or 0.6 percent, annually compared with an average increase of 11,700, or 1.0 percent, annually from July 2008 to July 2010 (Census Bureau population estimates as of July 1), during a period of economic decline.
- Population growth has been slow since 2010 as a result of declining net in-migration. Net in-migration has accounted for 47 percent of population growth, or 3,700 people annually, since 2010, when the economy began to recover from the economic recession, compared with 52 percent of growth, or 5,450 people annually, from 2008 to 2010.



Year-over-year job growth occurred in every sector except the mining, logging, and construction and the government sectors in the Louisville area during the 3 months ending November 2016.

	3 Months Ending		Year-Over-Year Change	
	November 2015 (thousands)	November 2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	652.4	663.9	11.5	1.8
Goods-producing sectors	107.8	108.0	0.2	0.2
Mining, logging, and construction	29.6	28.2	-1.4	-4.7
Manufacturing	78.1	79.8	1.7	2.2
Service-providing sectors	544.7	555.9	11.2	2.1
Wholesale and retail trade	96.5	97.6	1.1	1.1
Transportation and utilities	48.2	48.6	0.4	0.8
Information	9.0	9.0	0.0	0.0
Financial activities	46.5	48.4	1.9	4.1
Professional and business services	87.0	91.8	4.8	5.5
Education and health services	89.0	92.0	3.0	3.4
Leisure and hospitality	66.5	66.8	0.3	0.5
Other services	24.9	25.2	0.3	1.2
Government	77.0	76.5	-0.5	-0.6
	(percent)	(percent)		
Unemployment rate	4.4	3.9		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

Economic Conditions

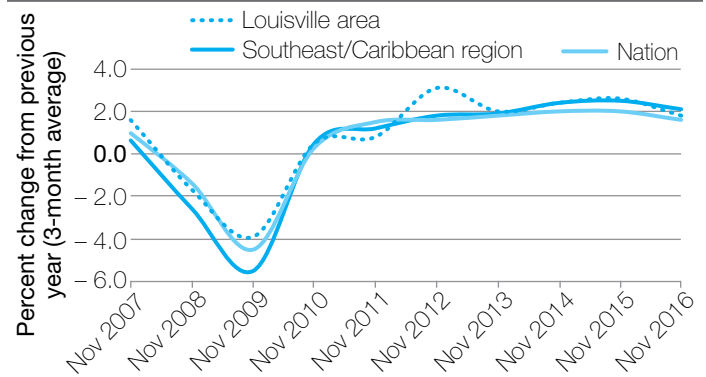
Nonfarm payrolls in the Louisville metropolitan area began to rebound at the end of 2010, after 3 years of decline, and continued to increase during the past 3 months.

During the 3 months ending November 2016—

- Nonfarm payrolls increased by 11,500 jobs, or 1.8 percent, from the 3 months ending November 2015 to an average of 663,900 jobs.
- The most significant gains were in the professional and business services, education and health services, and financial activities sectors, which increased by 4,800, 3,000, and 1,900 jobs, or 5.5, 3.4, and 4.1 percent, respectively.
- The average unemployment rate declined to 3.9 percent from 4.4 percent during the 3 months ending November 2015.
- Financial services firm Computershare, Inc. announced it would add 850 jobs in downtown Louisville during the next 4 years.

The Louisville metropolitan area is home to the University of Louisville (UofL), which is the fifth largest employer in the metropolitan area, with nearly 7,000 faculty and staff. In the fall of 2015, the university had an enrollment of 22,367 students, down approximately 1 percent from 2014, when enrollment was the highest since 2010. UofL has an annual economic impact of more than \$1.8 billion on the state (The Lane Report, 2015).

Nonfarm payroll growth in the Louisville area began declining in 2015 and has fallen below the rate for the Southeast/Caribbean region.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Largest employers in the Louisville area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
United Parcel Service, Inc.	Transportation and utilities	22,100
Ford Motor Company	Manufacturing	13,000
Humana Inc.	Financial activities	12,500

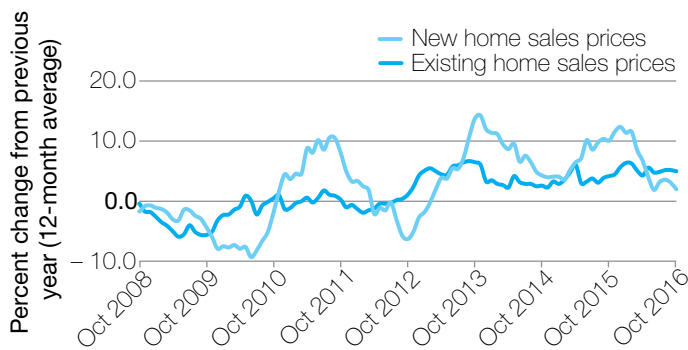
Note: Excludes local school districts.
Source: Louisville Business First



Sales Market Conditions

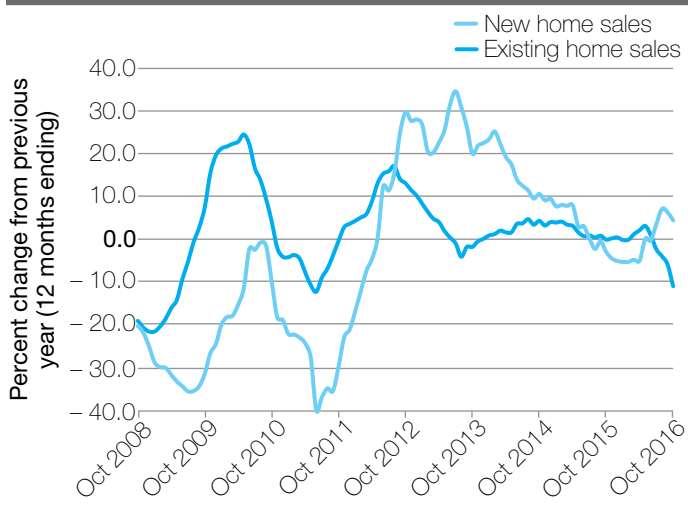
The sales housing market in the Louisville metropolitan area currently is balanced, with an estimated sales vacancy rate of 1.9 percent compared with 2.5 percent in April 2010. During the 12 months ending October 2016 (the most recent data available), nearly 22,150 existing homes (including single-family homes, townhomes, and condominiums) sold compared with nearly 24,850 homes sold during the previous 12 months, an 11-percent decline as a result of a 30-percent decline in real estate owned (REO) sales (CoreLogic, Inc., with adjustments by the analyst). The significant decline in

Since 2013, existing home sales prices in the Louisville area have increased slightly, while new home sales prices have increased significantly, although growth slowed to 2 percent during the past 12 months.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

The rate of existing home sales in the Louisville area fell significantly during the past 12 months, and new home sales declined from late 2013 before rebounding in mid-2016.



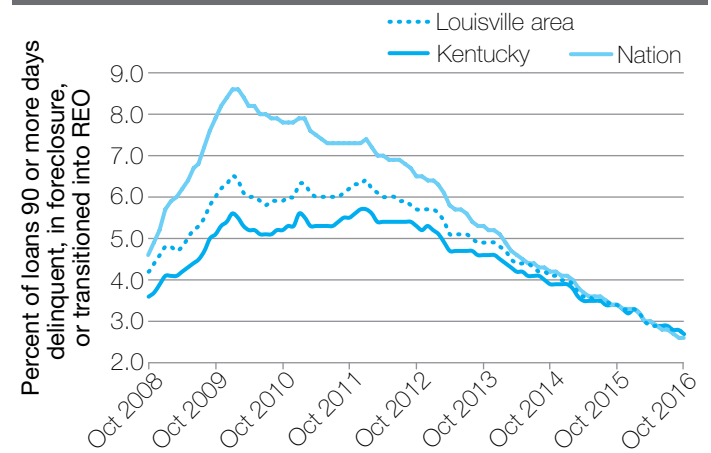
Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

REO sales caused existing home sales prices to increase to nearly \$177,100 during the 12 months ending October 2016, up 5 percent from the previous 12 months. The average sales price of an REO home in the metropolitan area was \$97,100 during the 12 months ending October 2016, a 3-percent increase from the previous 12 months, compared with \$184,000 for a regular resale, which increased 4 percent during the past 12 months. Sales of new homes (including single-family homes, townhomes, and condominiums) totaled nearly 1,550 during the past 12 months, a 4-percent increase from nearly 1,475 during the previous 12-month period. The average sales price of a new home was \$304,300 during the 12 months ending October 2016, up 2 percent from the previous 12 months.

- Existing home sales peaked in 2006, when 26,600 homes sold, and declined annually to a low of 18,400 in 2008 during the worst of the Great Recession. Sales began to increase again in 2009 and averaged 23,300 homes annually from 2009 through 2015.
- New home sales reached an annual high of more than 3,975 homes during the height of single-family homebuilding in 2005, then declined annually to a low of nearly 910 homes in 2011. From 2012 through 2015, sales averaged 1,400 homes annually, as nonfarm payroll growth reached record highs.
- As of October 2016, 2.7 percent of home loans were 90 or more days delinquent, were in foreclosure, or had transitioned into REO status, down from 3.4 percent in October 2015 (CoreLogic, Inc.). This percentage is the same as the rate for Kentucky but slightly greater than the rate for the nation, which was 2.6 percent during October 2016.

continued on page 4

The share of seriously delinquent loans and REO properties in the Louisville area decreased during the past year, matching the state average and remaining slightly above the national average.



REO = real estate owned. Source: CoreLogic, Inc.



continued from page 3

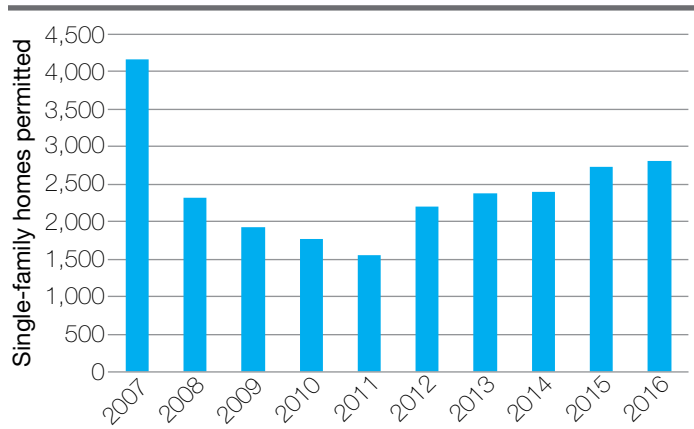
- REO sales totaled nearly 1,425 homes during the 12 months ending October 2016, down 30 percent from the previous 12-month period and more than 55 percent from the 3,175 sold during the peak, which was in the 12 months ending January 2014, as economic conditions improved.

Balanced sales market conditions have led to an increase in homebuilding activity, as measured by the number of single-family homes permitted, during the past 12 months.

- Permits were issued for approximately 2,975 single-family homes during the 12 months ending November 2016, an increase of 400 homes, or 16 percent, from the 12 months ending November 2015 (preliminary data).
- Single-family homebuilding averaged approximately 2,425 homes annually from 2012 through 2015, after an average of 1,900 homes were permitted annually from 2008 through 2011, a time of economic decline. Homebuilding reached a peak of more than 7,150 homes in 2005.
- Catalpa Farms, a 200-acre conservation subdivision, currently is under construction in the city of Louisville, consisting of 566

homes with lot prices starting at \$62,000. The first 40 homes are expected to be complete during the fall of 2017, with completion of the entire subdivision estimated to take up to 8 years.

Single-family building activity in the Louisville area has increased annually since 2012, but homebuilding is below peak levels.



Note: Includes preliminary data from January 2016 through November 2016. Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions in the Louisville metropolitan area currently are tight, as the demand for apartments exceeded the supply during the past year, with 1,830 units absorbed and 1,050 new units added to the supply.

During the third quarter of 2016—

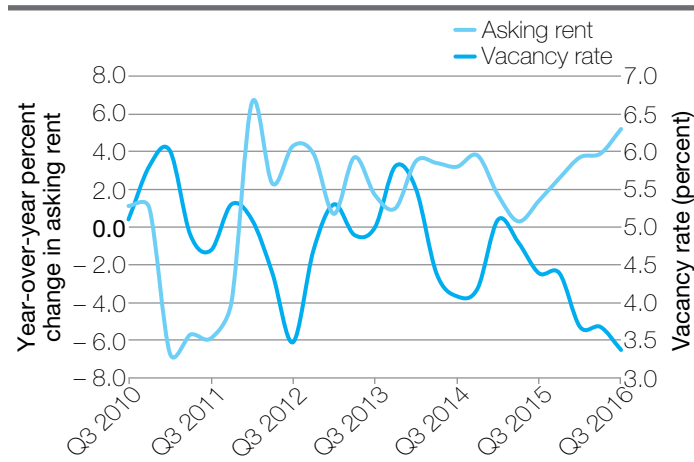
- The apartment vacancy rate was 3.4 percent, down from 4.4 percent during the third quarter of 2015 (MPF Research).
- The average asking rent was \$814, up more than 5 percent from the average asking rent during the third quarter of 2015.
- The MPF Research-defined Central Louisville market area, where the majority of the university is located, had an apartment vacancy rate of 4.3 percent compared with 5.4 percent during the third quarter of the previous year.
- The average asking rent in the Central Louisville area increased 3 percent from the third quarter of 2015 to \$931, the second highest average rent in Louisville metropolitan area, as apartment demand increased.

Multifamily construction, as measured by the number of units permitted, increased significantly in the Louisville metropolitan area during the past 12 months, as builders responded to tightening apartment market conditions.

- Permits were issued for approximately 2,050 units during the 12 months ending November 2016, an increase of 790 units, or 64 percent, from the 12 months ending November 2015 (preliminary data).

continued on page 5

Apartment market conditions in the Louisville area were tight, with vacancy rates decreasing and rents increasing during the past year.



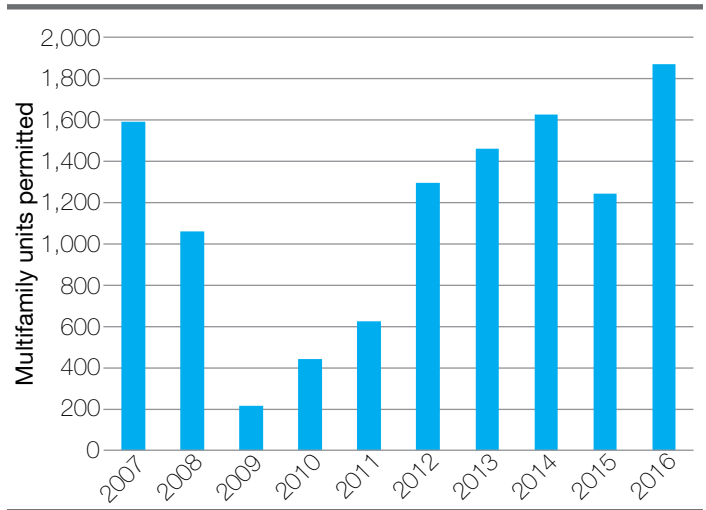
Q3 = third quarter. Source: MPF Research



continued from page 4

- Improving economic conditions increased multifamily permitting to an average of approximately 1,400 units annually from 2012 through 2015 from an average of 580 units annually from 2008 through 2011. Permitting peaked at nearly 1,625 units in 2005.
- As of the third quarter of 2016, approximately 3,500 units were under construction (MPF Research).
- Approximately 890 units were under construction in the North-east Louisville area during the third quarter of 2016, the greatest number of units of any market area in the metropolitan area.
- The Vinings at Hurstbourne, currently under construction in the city of Louisville, will consist of 159 units, with completion expected in June 2017. Asking rents start at \$990, \$1,600, and \$1,900 for one-, two-, and three-bedroom units, respectively.

In 2016, multifamily permitting in the Louisville area reached its highest level since 2000.



Note: Includes preliminary data from January 2016 through November 2016.
Source: U.S. Census Bureau, Building Permits Survey

